

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03
NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15
AID-05 COME-00 EB-07 FRB-01 TRSE-00 XMB-04 OPIC-06
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R 131741Z JAN 77
FM AMEMBASSY PARIS
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UNCLAS SECTION 01 OF 03 PARIS 01245

PASS TREASURY, FEDERAL RESERVE, COMMERCE

E.O. 11652: N/A
TAGS: EALR, EFIN, EGEN, FR
SUBJECT: LEADING POLL INDICATES COMPANY HEADS
PESSIMISTIC REGARDING PROSPECTS FOR 1977

1. A SURVEY CONDUCTED DURING THE FIRST HALF OF DECEMBER
BY SOFRES FOR THE ECONOMIC JOURNAL L'EXPANSION CONCLUDES
THAT MOST FRENCH HEADS OF ENTERPRISE HAVE A VERY
SOMBER VIEW ON THE PROSPECTS FOR THE ECONOMY
IN 1977. EIGHTY PERCENT OF THOSE INTERVIEWED
DID NOT BELIEVE THAT GROWTH WOULD CONTINUE IN 1977;
TWO-THIRDS DID NOT THINK THAT THE BARRE PLAN WOULD
BRAKE INFLATION; WHILE A MAJORITY EXPECTED THE
YEAR TO BE UNSTABLE ON A POLITICAL LEVEL.
HOWEVER, THE DIRECTORS GENERALLY WERE SLIGHTLY
MORE OPTIMISTIC REGARDING THEIR OWN PROSPECTS
THAN FOR THE GENERAL ECONOMIC SITUATION.

2. THE SURVEY REVEALED THAT POLITICAL UNCERTAINTY
TENDE TO BE THE MAJOR PREOCCUPATION OF THE HEADS
OF FIRMS. THIS WAS PARTICULARLY TRUE FOR SMALLER
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FIRMS WHO CITED THIS AS BEING THE NUMBER ONE REASON
FOR NOT INCREASING THEIR INVESTMENTS. THE
LARGEST FIRMS GAVE ECONOMIC REASONS AS THEIR
PRIMARY CAUSE. THE SMALLEST FIRMS TENDE TO BE
MORE PESSIMISTIC THAN THE LARGEST FIRMS; THEY
WERE MORE FEARFUL OF A VICTORY OF THE LEFT AND
WERE MORE SKEPTICAL CONCERNING THE SUCCESS OF

THE BARRE PLAN IN BRAKING INFLATION. HOWEVER, THE LARGEST FIRMS WERE MORE PESSIMISTIC THAN MEDIUM AND SMALL-SIZED FIRMS WITH REGARD TO THEIR INVESTMENT PROSPECTS.

3. THERE WERE SOME POSITIVE ASPECTS WHICH MAY PROMOTE HIGHER GROWTH IF THE PSYCHOLOGICAL ENVIRONMENT SHOULD IMPROVE. FOR EXAMPLE, MORE THAN HALF REPORTED THAT MORE THAN 80 PERCENT OF THEIR PRODUCTIVE CAPACITY WAS BEING UTILIZED, A FACTOR WHICH WOULD NORMALLY ENCOURAGE INVESTMENT. ALSO, THE MAJORITY THOUGHT THAT THE LEVEL OF STOCKS WAS NORMAL AND THAT THEIR PRICES WERE COMPETITIVE. HOWEVER, EVEN IF FIRMS SHOULD PROVE MORE WILLING TO INVEST, FINANCIAL DIFFICULTIES MIGHT BECOME BINDING. FOR EXAMPLE, 41 PERCENT THOUGHT THAT INTEREST RATES WOULD INCREASE; THE MAJORITY THOUGHT THERE WOULD BE NO EASING OF CREDIT RESTRICTIONS; 50 PERCENT FORESAW A DECREASE IN THEIR PROFITS.

4. COMMENT: SINCE THE EARLY PART OF DECEMBER, THE PERIOD DURING WHICH THIS SURVEY WAS CONDUCTED, THERE APPEARS TO HAVE BEEN A SLIGHT EASING IN THE PSYCHOLOGICAL ENVIRONMENT ON THE PART OF BUSINESSMEN. CONFIDENCE HAS INCREASED THAT THE GOF WILL BE ABLE TO CONTROL PRICES AND WAGES THIS YEAR, BASED ON THE FIRMNESS IT HAS SHOWN IN SO FAR MAKING NO CONCESSIONS TO THE UNIONS. THE GOF'S UNCLASSIFIED

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DETERMINATION WILL BE TESTED BY A SERIES OF STRIKES JUST ANNOUNCED BY THE UNIONS FOR THE LAST WEEK OF JANUARY. END COMMENT.

5. FOLLOWING ARE THE QUESTIONS AND RESPONSES OF THE SURVEY EXPRESSED IN PERCENT:

YES NO

- I. A) WILL THE BARRE PLAN SUCCEED IN
BRAKING INFLATION? 33 65
- B) ARE YOU OPTIMISTIC FOR THE ECONOMY
IN 1977? 13 86
- C) IS GROWTH GOING TO CONTINUE? 15 83
- D) WILL THE SOCIAL CLIMATE BE
GOOD IN 1977? 11 88
- E) WILL 1977 BE STABLE ON THE
POLITICAL LEVEL? 42 54
- F) ARE YOU HAVING DIFFICULTIES
FINDING MANPOWER? 55 43

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G) ARE YOUR PRICES COMPETITIVE ABROAD? 38 33

II. A) DO YOU THINK THAT BETWEEN THE BEGINNING AND
THE END OF 1977 THE INCREASE OF THE COST OF
LIVING WILL BE:

LOWER THAN 6.5 PERCENT	1
BETWEEN 6.5 AND 8.0 PERCENT	31
BETWEEN 8.0 AND 12.0 PERCENT	59
HIGHER THAN 12.0 PERCENT	8

B) WITH REGARD TO INDUSTRIAL PRICES, WHAT
SEEMS TO YOU THE MOST PROBABLE IN 1977?

INDUSTRIAL PRICES WILL REMAIN BLOCKED	6
THEY WILL BE SUBJECT TO A RIGID CONTROL	52
THEY WILL BE SUBJECT TO A FLEXIBLE CONTROL	35
THEY WILL BECOME TOTALLY FREE	6

C) IF YOU WERE GIVEN TOTAL PRICE FREEDOM, WHAT
WOULD BE YOUR AVERAGE INCREASE IN JANUARY?

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NOT ANY INCREASE	8
LESS THAN 2 PERCENT	6
FROM 2 TO 5 PERCENT	28
FROM 5 TO 8 PERCENT	28
FROM 8 TO 10 PERCENT	18
MORE THAN 10 PERCENT	8

D) PROBABLE VARIATION OF YOUR SELLING PRICES
IN 1977:

LESS THAN 6.5 PERCENT	20
BETWEEN 6.5 AND 8 PERCENT	40
BETWEEN 8 AND 12 PERCENT	31
MORE THAN 12 PERCENT	2

E) DO YOU THINK THAT IN 1977 THE INCREASE OF
WAGES:

WILL BE PRETTY NEAR THE INCREASE IN THE COST OF LIVING	53
WILL BE HIGHER	37
WILL BE LOWER	10

F) IN YOUR ENTERPRISE, THE INCREASE OF WAGES:

WILL FOLLOW THE COST OF LIVING	63
WILL BE HIGHER	31
WILL BE LOWER	5

BETTER WORSE NO
CHANGE

III. A) EMPLOYMENT IN GENERAL	4	49	45
B) EMPLOYMENT IN YOUR ENTERPRISE	12	15	72
C) FRANC-DOLLAR RATE	16	38	43
D) FRANC-MARK RATE	9	59	30

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E) RATES OF INTEREST	5	41	53
F) ACCESS TO CREDIT	9	43	47
G) INVESTMENT IN GENERAL	10	56	32
H) INVESTMENT IN YOUR ENTERPRISE	15	39	41
I) YOUR SALES IN FRANCE	18	25	44
J) YOUR SALES ABROAD	12	7	11
K) YOUR PROFITS	15	50	31

IV. A) FOR WHAT REASONS WILL YOU NOT INVEST MORE IN
1977?

BECAUSE THE POLITICAL SITUATION IS UNCERTAIN 49
BECAUSE THE FINANCING IS TOO DIFFICULT 41
BECAUSE THE ENTERPRISE HAS UNEMPLOYED CAPACITY 32

B) ARE THE FOLLOWING POLITICAL GROUPS GOING TO
WIN OR LOSE GROUND IN 1977?

WIN LOSE NO

THE MAJORITY	7	61	22
THE LEFT	61	8	19
USR/RPR (GAULLISTS)	44	22	22
INDEPENDENT REPUBLICANS (GISCARD'S PARTY)	8	67	13

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THE CENTRALIST PARTIES OF THE			
MAJORITY	14	48	23
COMMUNIST PARTY	7	59	21
SOCIALIST PARTY	84	3	4

V. A) AT THE PRESENT TIME, AT WHAT LEVEL ARE YOU
UTILIZING YOUR PRODUCTIVE CAPACITY:

LESS THAN 60 PERCENT	5
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FROM 60 TO 69 PERCENT	9
FROM 70 TO 79 PERCENT	18
FROM 80 TO 89 PERCENT	25
FROM 90 TO 99 PERCENT	14
AT 100 PERCENT	18

B) YOUR STOCKS OF PRIMARY MATERIALS AND SEMI-
PROCESSED PRODUCTS ARE CURRENTLY:

HIGHER THAN NORMAL	14
LOWER THAN NORMAL	11
NORMAL	57

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C) YOUR STOCKS OF FINISHED PRODUCTS:

HIGHER THAN NORMAL	12
LOWER THAN NORMAL	9
NORMAL	55

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